

Message Text

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FM AMCONSUL Leningrad

TO SECSTATE WASHDC 1751

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UNCLAS Leningrad 1809

E.O. 11652: N/A

TAGS: ABLD, UR

SUBJECT: Leningrad Residence Chandeliers

REF: Leningrad 0952

1. UPIP NOW FORMALLY INSISTS UPON SETTling LONG-DISPUTED QUESTION OF RENTAL OF SOVIET CHANDELIERs IN RESIDENCE AS INDICATED IN PARA 1 OF REFTEL. SOVIETs HAVE REJECTED PROPOSAL TO CONSIDER ACCEPTING EVENTUAL TRANSFER OF U.S.-OWNED CHANDELIERs IN RESIDENCE TO SOVIET OWNERSHIP IN RETURN FOR USE OF SOVIET CHANDELIERs DURING PERIOD OF U.S. OCCUPANCY.

2. THE SOVIET PROPOSAL, AS INDICATED REFTEL, IS SIMPLY THAT WE PAY RENT FOR THE CHANDELIERs AT AN ANNUAL RATE OF 8.3 PERCENT OF THEIR (SOVIET) VALUATION OF RUBLES 8991 OR RUBLES 746.25 PER YEAR (AT CURRENT EXCHANGE RATE THIS EQUALS DOLLARS 988.41.) DURING THE CURRENT LEASE PERIOD FOR THE RESIDENCE, WHICH EXPIRES JUNE 30, 1978, WE WOULD MAKE QUARTERLY PAYMENTS IN ADVANCE AS WE DO ON APARTMENT LEASES. EFFECTIVE JULY 1, 1978 THE LEASE FOR THE RESIDENCE WOULD BE AMENDED TO ADD THE RENTAL OF THE CHANDELIERs TO THE RENTAL OF THE RESIDENCE AND SEPARATE PAYMENT FOR THE CHANDELIERs WOULD STOP -- ALTHOUGH PAYMENT WOULD, OF COURSE, STILL CONTINUE IN FACT AS A COMPONENT OF QUARTERLY LEASE PAYMENTS.

3. I RECOMMEND THAT WE ACCEPT THE SOVIET PROPOSAL. CHOICE WHICH NOW FACES US IS TO SETTLE ON SOVIET TERMS OR INVITE UPIP TO REMOVE THE SIX CHANDELIERs AND TWO SCONCES INVOLVED. UNLESS

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WE ARE PREPARED TO DESTROY THE UTILITY OF THE RESIDENCE FOR

REPRESENTATIONAL PURPOSES FOR AN INDEFINITE PERIOD AS WE SEEK ALTERNATIVE LIGHTING FIXTURES, THE LATTER IS NOT A REALISTIC CHOICE AND WOULD, IN ANY CASE, ENTAIL HIGH COSTS IF APPROPRIATE REPLACEMENTS WERE PURCHASED ELSEWHERE. THE SOVIET PROPOSAL IS A SUBSTANTIAL IMPROVEMENT ON THEIR EARLIER PROPOSALS (13 PERCENT AND 20 PERCENT PER YEAR) ALTHOUGH STILL HIGH. IT IS, I BELIEVE THE BEST DEAL WE CAN GET FROM THEM.

4. ACTION REQUESTED: AUTHORIZATION TO ACCEPT THE SOVIET PROPOSAL AS IT NOW STANDS. THIS WILL REQUIRE OBLIGATION TO COVER PAYMENTS THROUGH JUNE 30, 1976 -I.E. RUBLES 2238.75 OR DOLLARS 2965.23; AND CONTINUING OBLIGATIONS IN APPROPRIATE AMOUNTS FOR FYS 77 AND 78.
NEUBERT

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